

Ross (ROST)

Earnings Update

Hold | Outperform

Dan, Tristan, Carson, & Pablo | March 17, 2025



Overview (Carson)

3 bullet points on what makes the business great:

- Ross is **continuing its expansion** of store network with over **75 new** Ross stores, and **14** dd's Discounts location in FY 2024
- A very **flexible business model** that allows it to grow through uncertainties, with opportunities of excess/closeout merchandise potentially leading to greater values on branded products in upcoming quarters.
- Ross has repurchased 7.3 million shares in FY 2024 for 1.05 billion and increased its quarterly dividend by 10%.

Results (Dan)

3 bullet points on results vs expectations on revenue and earnings include brief explanation:

- **Revenue Beat Expectation**– Ross Stores reported \$5.9 billion in revenue for Q4 2024, exceeding analysts' expectations of around \$5.8 billion.
- **Earnings Beat Expectation** –The company posted **\$1.79 EPS**, slightly above projections of \$1.72-\$1.75.
- **One time sale** of Ross sold a packaway facility, which provided a one-time boost to operating margin

Key Performance Indicators (Dan)

Any Important KPIs:

- Revenue was up 800 million from last quarter to 5.9 billion
- In the 4th Quarter there were 1.9 million shares repurchased, and it cost \$247 Million completing the 2-year repurchasing plan, totaling \$2.1 billion
- The Earnings per share when from \$1.48 in the 3rd quarter to \$1.79, increasing by \$0.31

Guidance (Carson)

3 bullet points on the next year and quarter:

- Ross expects comparable store sales to be **down 3% to flat**, with **EPS projected at \$1.33 to \$1.47** compared to \$1.46 in the previous year. Due to cautious consumer spending, macroeconomic uncertainty, and unseasonable weather.
- Some what lower **operating margin projected** between **11.5% to 12.2%** (2024 at 12.2%), due to higher distribution costs and reducing sales expected For FY 2025
- **Expansion and Investment Plans** – Plan to open around 90 new stores and invest **\$855 million** in Cap Ex.

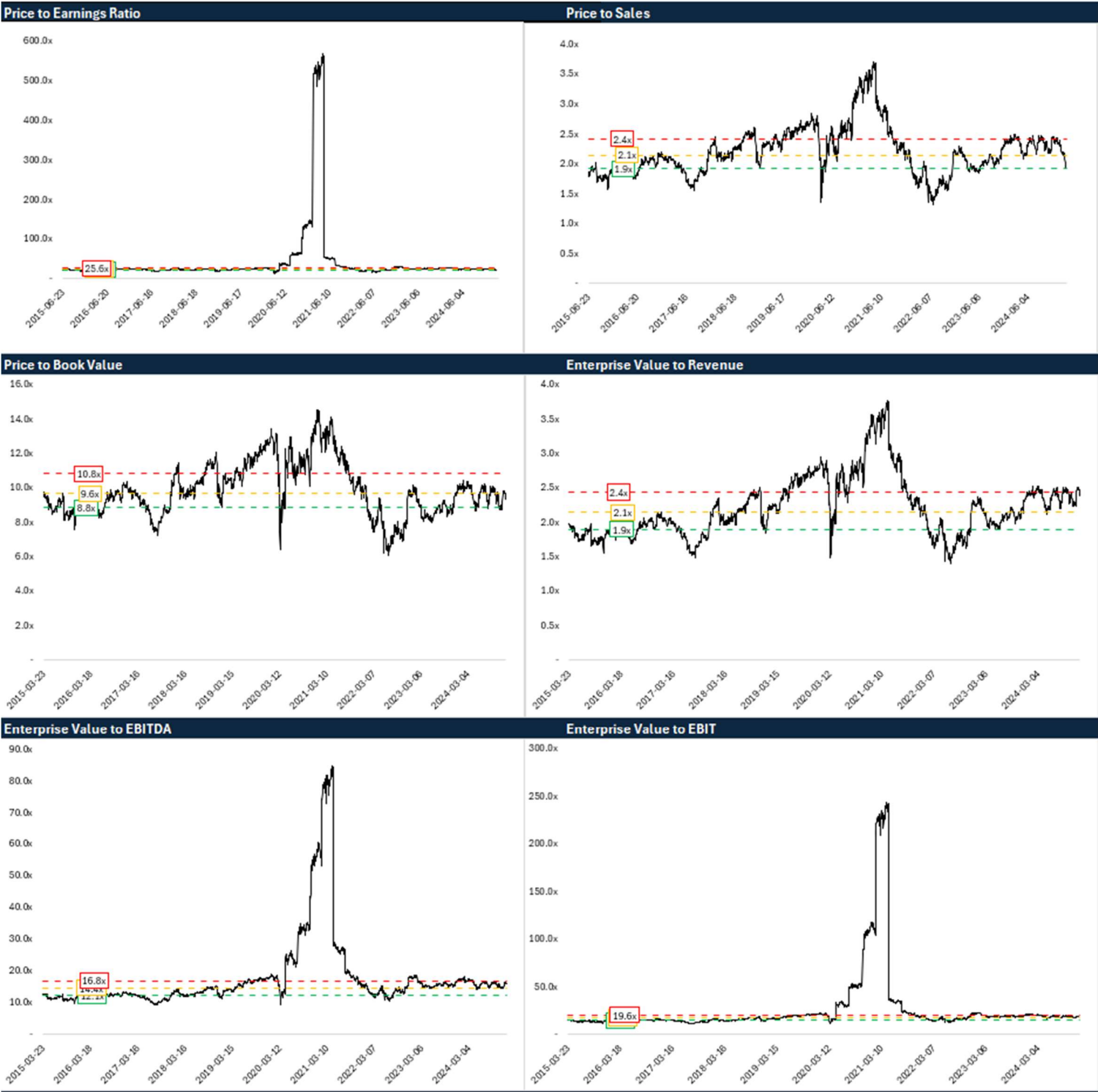
IOPS (Pablo)

ROST												
In Millions Except Per Share Data	2016-01	2017-01	2018-01	2019-01	2020-01	2021-01	2022-01	2023-01	2024-01	2025-01	TTM	Threshold
Revenue	\$ 11,940	\$ 12,867	\$ 14,135	\$ 14,984	\$ 16,039	\$ 12,532	\$ 18,916	\$ 18,696	\$ 20,377	\$ 21,129	\$ 21,129	
Cost of Goods Sold	\$ 8,577	\$ 9,174	\$ 10,043	\$ 10,726	\$ 11,536	\$ 9,839	\$ 13,709	\$ 13,946	\$ 14,802	\$ 15,261	\$ 15,261	
Gross Profit	\$ 3,363	\$ 3,693	\$ 4,092	\$ 4,257	\$ 4,503	\$ 2,693	\$ 5,207	\$ 4,750	\$ 5,575	\$ 5,869	\$ 5,869	
Gross Margin %	28%	29%	29%	28%	28%	21%	28%	25%	27%	28%	28%	> 40%
Selling, General, & Admin. Expense	\$ 1,739	\$ 1,890	\$ 2,044	\$ 2,217	\$ 2,357	\$ 2,503	\$ 2,874	\$ 2,759	\$ 3,268	\$ 3,283	\$ 3,283	
% of Gross Profit	52%	51%	50%	52%	52%	93%	55%	58%	59%	56%	56%	< 30%
EBITDA	\$ 1,900	\$ 2,108	\$ 2,373	\$ 2,398	\$ 2,525	\$ 559	\$ 2,694	\$ 2,463	\$ 2,965	\$ 3,032	\$ 3,214	
Depreciation, Depletion and Amortization	\$ 275	\$ 303	\$ 313	\$ 330	\$ 351	\$ 364	\$ 361	\$ 395	\$ 419	\$ 447	\$ 447	
% of Gross Profit	8%	8%	8%	8%	8%	14%	7%	8%	8%	8%	8%	< 10%
Operating Income	\$ 1,624	\$ 1,803	\$ 2,048	\$ 2,041	\$ 2,146	\$ 190	\$ 2,333	\$ 1,990	\$ 2,308	\$ 2,586	\$ 2,586	
Operating Margin %	14%	14%	14%	14%	13%	2%	12%	11%	11%	12%	12%	> 20%
Interest Expense	\$ 13	\$ 20	\$ 19	\$ 16	\$ 10	\$ 88	\$ 75	\$ 81	\$ 74	\$ -	\$ 50	
% of Operating Income	1%	1%	1%	1%	0%	46%	3%	4%	3%	0%	2%	< 35%
EBIT	\$ 1,625	\$ 1,806	\$ 2,060	\$ 2,067	\$ 2,174	\$ 194	\$ 2,334	\$ 2,068	\$ 2,546	\$ 2,586	\$ 2,767	
Tax Rate %	37%	37%	33%	23%	23%	20%	24%	24%	24%	24%	24%	
Net Income	\$ 1,021	\$ 1,118	\$ 1,363	\$ 1,587	\$ 1,661	\$ 85	\$ 1,723	\$ 1,512	\$ 1,875	\$ 2,091	\$ 2,091	
Net Margin %	9%	9%	10%	11%	10%	1%	9%	8%	9%	10%	10%	> 10%
Shares Outstanding (Diluted Average)	406.4	395.0	384.3	372.7	361.2	354.6	353.7	345.2	337.4	331.0	328.5	
EPS (Diluted)	\$ 2.51	\$ 2.83	\$ 3.55	\$ 4.26	\$ 4.60	\$ 0.24	\$ 4.87	\$ 4.38	\$ 5.56	\$ 6.32	\$ 6.32	
ROE %	41%	41%	45%	48%	49%	3%	42%	35%	38%	38%	41%	> 15%
ROC %	36%	36%	40%	44%	45%	1%	26%	22%	26%	27%	27%	> 15%
Net Income	\$ 1,021	\$ 1,118	\$ 1,363	\$ 1,587	\$ 1,661	\$ 85	\$ 1,723	\$ 1,512	\$ 1,875	\$ 2,091	\$ 2,091	
Capital Expenditure	\$ 367	\$ 298	\$ 371	\$ 414	\$ 555	\$ 405	\$ 558	\$ 654	\$ 763	\$ 720	\$ 720	
% of Net Income	36%	27%	27%	26%	33%	475%	32%	43%	41%	34%	34%	< 50%
Free Cash Flow	\$ 959	\$ 1,261	\$ 1,310	\$ 1,653	\$ 1,616	\$ 1,841	\$ 1,181	\$ 1,035	\$ 1,752	\$ 1,637	\$ 1,637	
FCF Margin %	8%	10%	9%	11%	10%	15%	6%	6%	9%	8%	8%	> 10%
Purchase of Business	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Dividends Per Share	\$ 0.47	\$ 0.54	\$ 0.64	\$ 0.90	\$ 1.02	\$ 0.29	\$ 1.14	\$ 1.24	\$ 1.34	\$ 1.47	\$ 1.47	
Dividend Payout Ratio	19%	19%	18%	21%	22%	119%	23%	28%	24%	23%	23%	< 60%
Dividend Yield %	0.8%	0.8%	0.8%	1.0%	0.9%	0.3%	1.2%	1.1%	1.0%	1.0%	1.2%	
Repurchase of Stock	\$ 769	\$ 743	\$ 920	\$ 1,129	\$ 1,336	\$ 178	\$ 707	\$ 999	\$ 999	\$ 1,136	\$ 1,136	
Stock Based Compensation	\$ 71	\$ 75	\$ 87	\$ 96	\$ 95	\$ 102	\$ 134	\$ 122	\$ 145	\$ 156	\$ 156	
% of Revenue	0.6%	0.6%	0.6%	0.6%	0.6%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	
Obligation Ratio	-0.4x	-0.6x	-0.7x	-0.7x	1.8x	22.0x	1.1x	1.7x	1.3x	1.2x	1.2x	< 5.0x
Short-Term Debt	\$ -	\$ -	\$ 85	\$ -	\$ -	\$ 65	\$ -	\$ -	\$ 250	\$ 700	\$ 700	
Long-Term Debt	\$ 396	\$ 396	\$ 312	\$ 312	\$ 313	\$ 2,448	\$ 2,452	\$ 2,457	\$ 2,211	\$ 1,515	\$ 1,515	
Preferred Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Pension Shortfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Leases x7	\$ -	\$ -	\$ -	\$ -	\$ 3,951	\$ 4,187	\$ 4,414	\$ 4,592	\$ 4,785	\$ 4,923	\$ 4,923	
Marketable Securities	\$ 2	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Cash and Cash Equivalents	\$ 762	\$ 1,112	\$ 1,290	\$ 1,413	\$ 1,351	\$ 4,819	\$ 4,922	\$ 4,552	\$ 4,872	\$ 4,731	\$ 4,731	

- Ross has a **strong return on equity** at 41%, which reflects a **good capital allocation strategy**
- Debt levels** have been **manageable** for the past years, except in 2021
- Ross's **Net Income** has been **steadily increasing**, since having a low net income report in 2021

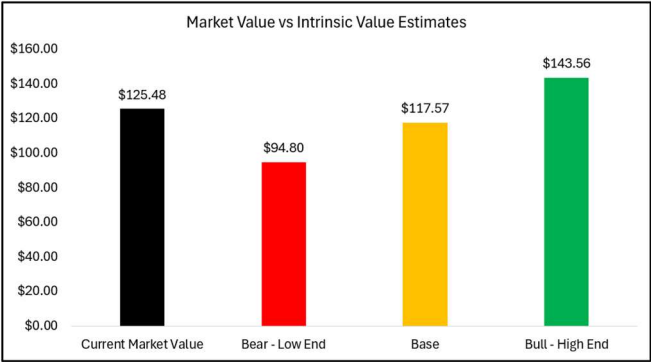
Valuation (Tristan)

Value Bands:



	Bear	Base	Bull
Net Margin Growth	0%	0.5%	1%
Revenue Growth	9%	10%	11%
Share Buybacks	1%	1.5%	2%
EPS Growth Rate	10%	12%	14%

Ticker: ROST		5 Year Discounted Cash Flow											
Price: \$125.48													
Discount Rate: 10.0%													
Method: EPS													
Dividend Payout Ratio													
								P/E	Price	Present Value	5 YR Return	Return	Return + Dividends
Bear	EPS	2025-01	2026	2027	2028	2029	2030	15.0x	\$152.68	\$94.80	21.7%	4.0%	4.0%
		\$6.32	\$6.95	\$7.65	\$8.41	\$9.25	\$10.18	17.0x	\$173.03	\$107.44	37.9%	6.6%	6.6%
		10%	10%	10%	10%	10%	10%	19.0x	\$193.39	\$120.08	54.1%	9.0%	9.0%
		Series 4 Point "2015-11-11" Data Label											
Base	EPS	2025-01	2026	2027	2028	2029	2030	15.0x	\$167.07	\$103.74	33.1%	5.9%	5.9%
		\$6.32	\$7.08	\$7.93	\$8.88	\$9.94	\$11.14	17.0x	\$189.35	\$117.57	50.9%	8.6%	8.6%
		12%	12%	12%	12%	12%	12%	19.0x	\$211.62	\$131.40	68.6%	11.0%	11.0%
Bull	EPS	2025-01	2026	2027	2028	2029	2030	15.0x	\$182.53	\$113.34	45.5%	7.8%	7.8%
		\$6.32	\$7.20	\$8.21	\$9.36	\$10.67	\$12.17	17.0x	\$206.87	\$128.45	64.9%	10.5%	10.5%
		14%	14%	14%	14%	14%	14%	19.0x	\$231.20	\$143.56	84.3%	13.0%	13.0%



Total RoR Sensitivity				
P / E	Est. EPS growth rate			
		10.0%	12.0%	14.0%
	15.0x	4.0%	5.9%	7.8%
	17.0x	6.6%	8.6%	10.5%
	19.0x	9.0%	11.0%	13.0%

Per my lengthy insights and analysis, I have come to the conclusion that it would be in the best interest of Bulldog Investment company’s long-term goals and aspirations to ultimately remain a “Hold” position regarding our equity standing in “ROST”.